



# Expanding Ambulatory Surgery Portfolio

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December 10, 2020

# Cautionary Statements

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This presentation includes “forward-looking statements.” These statements relate to future events, including, but not limited to, statements regarding our expectations of the benefits and synergies of the acquisition and the performance of the centers, as well as our liquidity, operating results, future earnings, financial position, operational and strategic initiatives, and developments in legislation, regulation, and the healthcare industry more generally. These forward-looking statements represent management’s expectations, based on currently available information, as to the outcome and timing of future events, but, by their nature, address matters that are uncertain, particularly for developments related to COVID-19, and are subject to numerous risks and uncertainties, many of which are outside of our control. Actual results, performance or achievements could differ materially from those expressed in any forward-looking statement.

Examples of uncertainties that may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements include, but are not limited to, the ability to close and successfully integrate the operations of the acquired centers into our enterprise; the ability to recognize the anticipated benefits of the acquisition, which may be affected by, among other things, competition, regulation, our ability to grow profitably and maintain relationships with physicians and healthcare system partners; the risk that the acquisition disrupts current plans and operations of our enterprise and/or the acquired centers; developments related to COVID-19 and the factors described under “Forward-Looking Statements” and “Risk Factors” in our Form 10-K for the year ended December 31, 2019, subsequent Form 10-Q filings and other filings with the Securities and Exchange Commission (SEC).

We assume no obligation to update any forward-looking statements or information subsequent to the dates such statements are made. Investors are cautioned not to place undue reliance on our forward-looking statements. Unless otherwise specified, all financial information is provided for the year ended December 31, 2019.

This presentation contains financial measures that are not in accordance with Generally Accepted Accounting Principles (GAAP). Reconciliations of these non-GAAP measures to the most comparable GAAP measures and management’s reasoning for using them are included in our earnings press releases for each relevant periods and were included as exhibits to our respective Form 8-Ks furnished to the SEC. We are not able to reconcile forward-looking non-GAAP financial measures to the most comparable U.S. GAAP financial measures due to uncertainty regarding items outside of our control.

# Announcement

Tenet to acquire a portfolio of centers from SurgCenter Development (SCD), cementing USPI as the national leader in ambulatory surgery

Up to 45 centers to be acquired

~\$1.1B purchase price

~\$430M of revenues

~\$210M of Adjusted EBITDA

~\$130M of Adjusted EBITDA – NCI

# Strategic Intent



**Builds upon Tenet's strategy to grow ambulatory surgery**  
Continues to reposition the portfolio toward a higher-growth segment



**Enabled by strong performance at USPI and SCD centers**  
USPI Q3 surgeries were ~94% of prior year; SCD is a premier ASC developer and their centers have recovered at the same level or better



**Offers attractive returns from acquiring up to 45 centers**  
Mid-8x EBITDA – NCI acquisition multiple, ~5x effective EBITDA multiple, and ~\$40M to \$50M of annual realizable synergies



**Positions Tenet as the leader in musculoskeletal services**  
Leader across the care continuum in a high growth service line

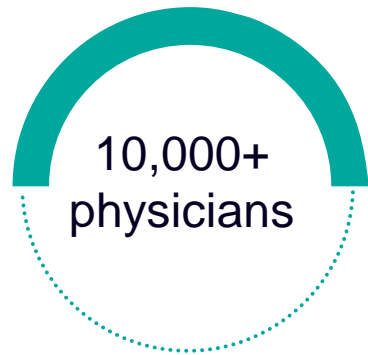


**Strategic and accretive use of cash**

Funded by cash on hand available from strong balance sheet management  
Strong ROIC and EPS accretion

# USPI's portfolio is poised for growth

## Trusted business partner



Commitment to clinical and operational excellence with 10,000+ physicians on medical staff, 4,000+ physician partners and 50+ health system partners

## Proven management track record



Distinctive ability to deliver growth with a track record of ~6% annual same-store revenue growth, cost synergies and consistent replenishment of partnerships

## Continued portfolio expansion

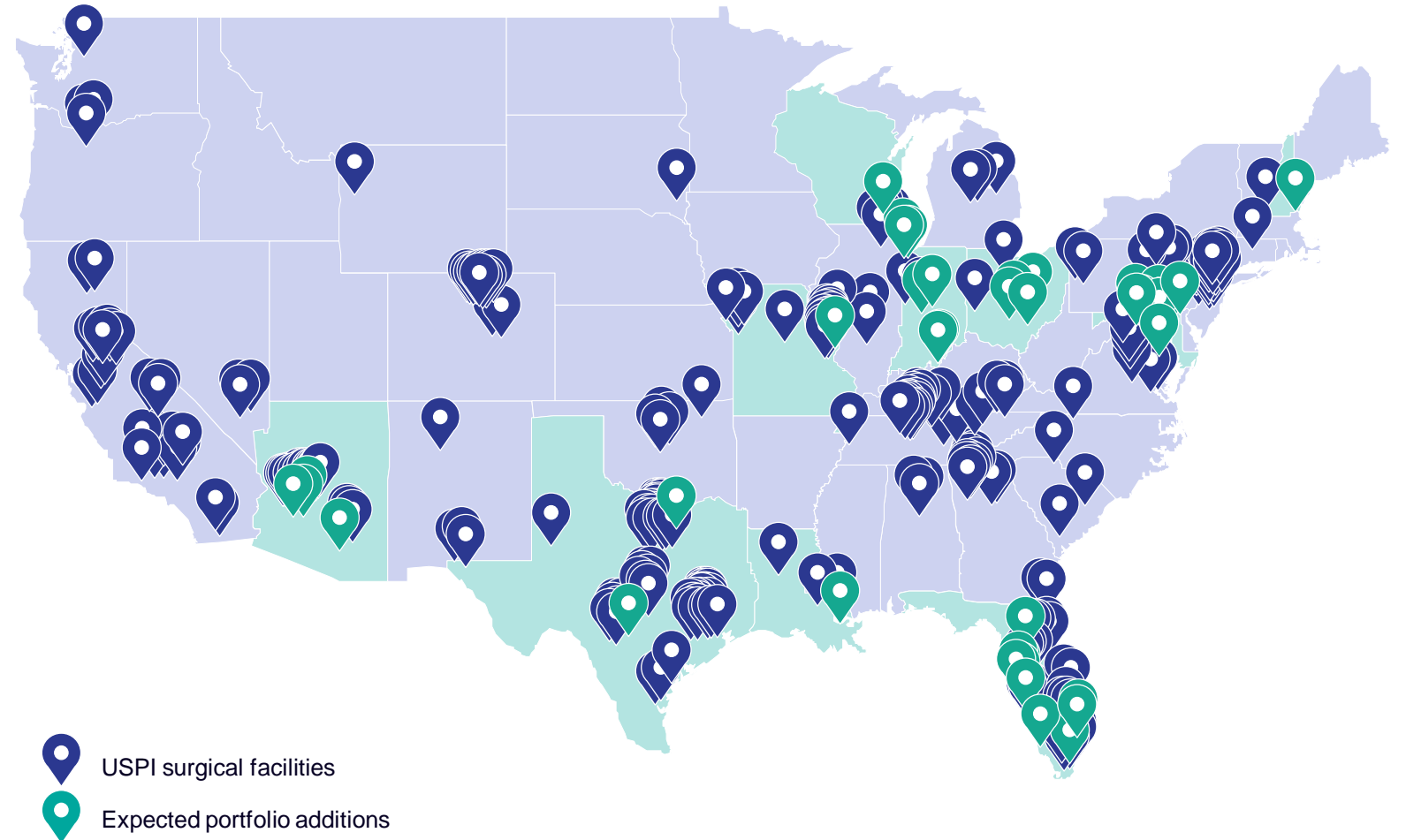


Successful expansion since 2018 with \$315M+ in acquisition spend and 18 de novo developments with both two-way and three-way partnerships

Note: Above data is USPI pre-acquisition of SCD centers

# Leading Platform

USPI is the leading surgical facility platform with ~310 ASCs and 24 surgical hospitals across 33 states



# Acquiring Up To 45 Ambulatory Surgery Centers

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## Acquiring high-performing portfolio from SCD

Historical same-facility revenue growth of over 8% and EBITDA margin of over 40% with strong free cash flow conversion

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## Strong focus on musculoskeletal with high-quality physicians

~80% case mix is orthopedics, pain and spine with over 800 physicians on medical staff and effective quality and safety processes

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## Relatively new facilities with minimal debt (only ~\$18M)

Average age is 7 years with potential for further growth under USPI, consistent with USPI's track record of prior acquisitions from SCD

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## Alignment with USPI market growth strategies

The 45 centers expand two-way partnerships in existing markets (e.g., AZ, FL, TX) and offer entry at scale in newer markets (e.g., MD, IN, OH)

# Portfolio presents three types of opportunities

## Network states – example



Adding 10 centers to the network in Florida

## Pioneering center – example



White Fence, over 10K total joints performed

## New market entry – example



Entering in Indiana at scale with 7 centers



# Deal Summary

~\$1.1B

Purchase price for the portfolio

Acquire 100% SCD interest and additional interest from physicians

~\$210M

EBITDA generated by up to 45 centers to be acquired

~\$430M in center-level net revenue and healthy EBITDA margins

~60%

Maximum center ownership to be acquired by USPI

EBITDA-NCI of ~\$130M; Tenet to consolidate substantially all of the centers

~\$40M - \$50M

Synergies estimated at ~20-25% EBITDA

Conservative pathway to high 6x EBITDA-NCI multiple by year 3

Limited capex requirements and strong free cash flow generation

~5x

Acquisition is leverage neutral

Funded by cash on the balance sheet

# Strong financial returns expected for Tenet

Favorable EBITDA-NCI multiple

x

**~6.9x**

End Year 3

Strong return on invested capital

%

**~10%**

End Year 3

Meaningful EPS Accretion

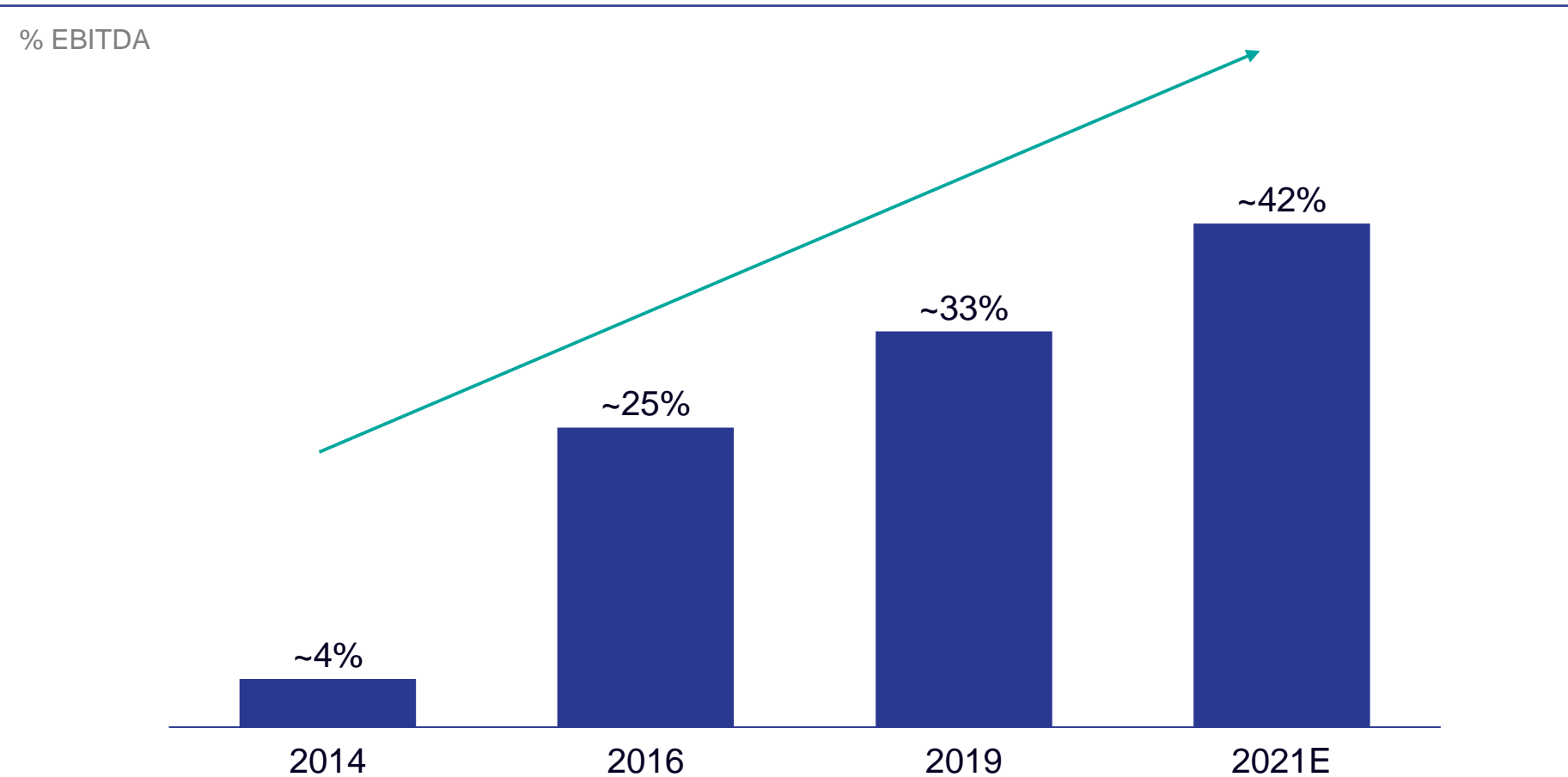
%

**~28%**

End Year 1

# Tenet is further diversifying into high-growth healthcare services

## Tenet Adjusted EBITDA from Ambulatory



Note: Tenet acquired USPI in 2015

# Accelerating Tenet's Growth & Improving Financial Results

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## Scaling the premier ambulatory surgery platform

Robust pipeline of M&A, de novo development and organic growth

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## Restoring growth in core hospital markets

More efficient, consistent operating model enabling bolder investments

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## Enhancing complement of leading physicians

Partner of choice for medical specialists given high quality of services

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## Improving Conifer performance

Continuous process improvement and technology enablement

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## Driving financial, operational and clinical performance

High-performance culture with data-driven management processes

# Benefits of the transaction for Tenet

## Competitive Advantage

Enhances position in higher-acuity, high-growth specialties with strong quality, safety and patient experience

## Strategic Investments

Strategic investment to add quality assets and clinical technology on a leverage neutral basis

## Stronger Portfolio

Higher-performing go-forward portfolio with greater free cash flow generation, capital efficiency and secured debt capacity



# Questions & Answers